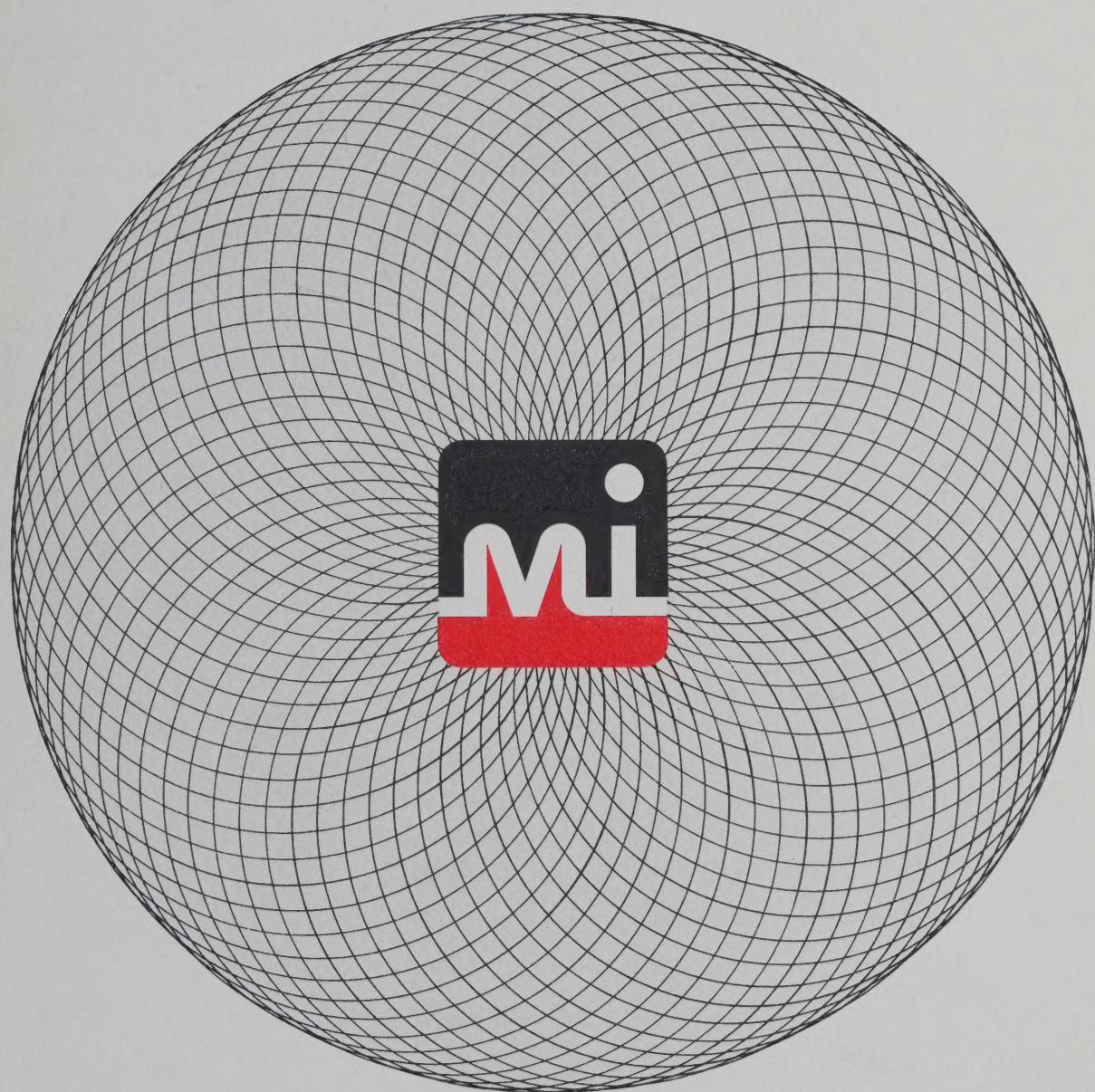


AR07





## Highlights

- The company profitable in 1970
- First machine on stream in major installation of Jones Wet Magnetic Separators in the iron ore industry
- Twelve 110 ton per hour separators delivered, additional sixteen ordered.
- Gross Value of Separators currently on order, \$4,500,000.
- Test work programs triple.
- Con Quest raises \$190,000 through share issue, is listed on the Canadian Stock Exchange and purchases two tin dressing plants in Cornwall, England.
- Ferrite sales double in 1970.

	1970	1969
Gross value of separators delivered .....	<u>\$2,000,000</u>	<u>\$ 16,000</u>

### Financial

Gross revenues .....	\$1,558,221	\$ 642,023
Income (deficit) before extraordinary items .....	\$ 17,393	\$ (525,678)
Earnings per share before extraordinary items .....	0.7¢	(42¢)
Income (deficit) after extraordinary items .....	\$ 8,785	(\$1,613,823)
Number of shares issued .....	2,495,955	2,495,955
Working capital .....	\$ 478,890	\$ 619,852

The Annual General Meeting of Shareholders  
will be held in Salon 16 on the fifth floor of  
Commerce House, 1080 Beaver Hall Hill,  
Montreal, Quebec on May 20th, 1971  
at 11:00 A.M.



## The Company

## Development of techniques

## Manufacture of materials

## Mineral processing

### **Magnetics International Ltd.**

Magnetics International Ltd. is a young industrial company, growing from a foundation of sound research. It is concerned with the development of new equipment and techniques for application in the mineral processing field and for the manufacture of high quality, low cost materials for industry.

Extensive basic research has been conducted by the company in the field of High Intensity Wet Magnetic Separation of ores and other materials with significant success, especially in the upgrading of deposits and the recovery of values from mineral waste. The successful application of this research has resulted in the commercial use of the Jones Wet Magnetic Separator.

### **Jones Wet Magnetic Separators**

The world rights to the Jones Wet Magnetic Separator are held by the company and its subsidiary, Magsep Ltd. Another subsidiary, Ferro-Magnetics Ltd., is involved in developing the commercial applications of this machine. In all Ferro-Magnetics has performed test work for more than 300 companies located around the world, on materials as diverse as barite, china clays, feldspar, iron ore, lead, manganese, mica, silica sand, strontium, talc, tin, tungsten, uranium and zinc. Many of these test programs have resulted in completed projects utilizing the Jones Wet Magnetic Separator.

### **Ferrites**

The company is involved in the production of hard and soft ferrite powders, through its subsidiary companies, Ferrox Iron Ltd. and Ferrox Iron (New York) Ltd.

Hard ferrites are used by industry in rapidly growing amounts to make loud speaker magnets, magnets for D.C. electric motors and generators, and as magnetic holding devices. Soft ferrites have many electronic applications and are used in computer memory cores, radio tuning slugs and antennas, and yokes for television sets.

### **Con Quest Exploration Ltd. (N.P.L.)**

Through another subsidiary, Con Quest Exploration Ltd., the company will operate two tin dressing plants in Cornwall, England. These plants utilize the Jones Wet Magnetic Separator to upgrade tin concentrate.

The recent purchase of these plants is an example of the company's constant desire to find opportunities to exploit its process technology and thereby add to its profitability and growth.



## Directors' report to the shareholders

### Financial

Your directors are pleased to report that your company has achieved a profit situation for the first time in its history.

Consolidated sales of your company were \$1,489,283 (See note below) in 1970 up from \$600,593 in 1969. This advance was due to a 100% increase in the sale of Ferrite powders and the shipment of twelve Jones Wet Magnetic Separators to Cia. Vale Do Rio Doce (CVRD) for installation at the Itabira mine. The resulting profit on current operations of \$17,393 compares with a loss of \$525,678 in the previous year. Net income after extraordinary adjustments amounted to \$8,785 against a loss of \$1,588,373 in 1969.

Research, development and engineering expenses decreased sharply in 1970 due to non-recurring start-up and development work which was performed at Ferrox Iron (New York) Ltd. during 1969.

The increase in selling expenses resulted from non-recurring expenditures incurred in 1969 on the organization of manufacturing facilities for the Itabira contract. These expenditures were deferred until revenues were received from the contract and therefore were included in 1970 expenses. The first Itabira machine was commissioned during the year which added further to these expenses.

Loans from United States Agencies and Banks were made to Ferrox Iron (New York) Ltd. in late 1969. As a result interest on long term debt shows a marked increase in 1970.

Inventories have increased due to the fall off in sales during the final quarter creating a build-up of finished products.

During the year supplementary letters patent were granted to effect By-Law 'N', which was passed by the shareholders at a Special General Meeting on October 30, 1970, details of which are given in note 6 to the financial statements.

*NOTE ON SALES — The unaudited quarterly Statements which have been submitted to shareholders during 1970 included in Sales the gross value of the sale of Jones Wet Magnetic Separators to Cia. Vale do Rio Doce. The audited year end Sales figures include only the actual revenue received by the company from this sale. Although the company is a party to the contract for the sale of these machines, it has been ruled that the gross value of these sales cannot be interpreted as sales attributable to the company.*

### Jones Wet Magnetic Separators

During the year an initial order of twelve Jones Wet Magnetic Separators for CVRD was completed.

The first machine has been installed at the mine and is meeting required specifications treating a feed equivalent to 110 tons per hour.

Your company was impressed by the performance of Klöckner-Humboldt-Deutz AG (K.H.D.) in the manufacture and delivery of separators for Itabira and has entered into an agreement with them to manufacture Jones Wet Magnetic Separators for sale throughout the world.

A prior agreement with Stearns-Roger Corporation of Denver, Colorado has been renegotiated to allow K.H.D. to manufacture Jones Wet Magnetic Separators for sale in the Americas as well as the rest of the world.

Under the terms of this new agreement K.H.D. is responsible for the manufacturing and delivery of the equipment as well as for the financing and the credit and collection function. Your company is responsible for test work, flow sheet design and metallurgical performance and commissioning.

This agreement is considered extremely beneficial to your company. In projects which may involve many millions of dollars, your company is immune from penalties for late delivery or faulty manufacture, is open to minimal exposure to losses from bad debts and does not have to raise capital to finance construction. These advantages could not have been obtained by establishing manufacturing facilities nor by having the machines manufactured on a sub-contract basis.

Interest in the Jones Wet Magnetic Separator by the mining community has increased dramatically during the past year. Your company now feels that it has the ideal organization to manufacture and promote the sale of these machines.



## Ferrites

Although sales of ferrites more than doubled in 1970, the volume achieved was a disappointment. Your management had anticipated that the North American economy would pick up in the third and fourth quarters, but this was not the case and sales did not meet projected levels.

In addition production of ferrite magnets in the United Kingdom did not increase as rapidly as manufacturers had anticipated. This resulted in minimal growth in your company's sales and as a result plans to locate a ferrite plant in the United Kingdom have been postponed until market conditions warrant such a facility. In the meantime a warehouse operation has been organized which will enable your company to give customers an improved service and help build the nucleus of an organization for the manufacturing and marketing of ferrites.

The European market did not live up to early expectations, although the number of customers has increased which is an encouragement for the future.

Reasonable sales of Permacal R, the embedding powder, were made in the first half of 1970. However these sales have failed to increase due to a number of technical difficulties which have resulted in the necessity for further development work.

Even though sales declined in the latter part of the year the two manufacturing plants, Ferrox Iron Ltd. and Ferrox Iron (New York) Ltd., achieved a break-even situation on a consolidated basis. This compares with an operating loss of \$321,843 in 1969.

## Con Quest Exploration Ltd. (N.P.L.)

During the year Con Quest Exploration Ltd., a subsidiary of your company, issued a prospectus for the purchase of Brea Tin Limited and Tolgarrick Tin Limited, two tin dressing plants in Cornwall, England. This issue raised \$190,000 to effect the purchase of these companies and to provide all the required funds for equipment and working capital.

The shares of Con Quest were listed on the Canadian Stock Exchange on February 25, 1971.

Con Quest has an authorized Share Capital of 4,000,000 shares each of \$1.00 par value. 1,450,015 shares have been issued, 850,000 of which are held by your company.

The accounts of Con Quest and its subsidiaries have not been consolidated with Magnetics International Ltd. for reasons which are given in notes 1 and 2 to the financial statements.

A loss of \$7628 for the year was mainly due to the expenses of the prospectus, the legal and professional fees in connection with listing the shares and drawing up the underwriting agreement.

## Outlook

Sales of Jones Wet Magnetic Separators are very difficult to predict since they are predicated upon major financial and technical decisions of customer companies. Consequently the period between original contact and purchase order can be a year or more.

To date firm orders for delivery in 1971 comprise four 110 ton per hour machines and one 3 ton per hour machine. CVRD has exercised its option to purchase an additional thirteen 110 ton per hour machines. The down payment for these machines will be received in 1971. They will be delivered in 1972 and the balance of the revenues will be received in that year.

Sales of ferrite powders were slow in the first two months of 1971 but picked up considerably in March and April. Added contribution to sales growth in 1971 will result from the United Kingdom warehouse operation, concerted marketing efforts in Europe, a continued improvement in the North American economy and the successful acceptance of new products.

Ferro-Magnetics has three months of test programs on hand and should more than double its revenues from test work in the current year.

Your management is encouraged by the world wide interest in the Jones Wet Magnetic Separator, the increase in customer acceptance of ferrite powders which is forming a sound base for future growth and the progress made by the tin dressing plants in England.

Respectfully submitted on behalf of the Board of Directors,

*Peter N. Carter*  
Peter N. Carter, President

*R. P. Miller*  
R. P. Miller, Chairman



## Jones Wet Magnetic Separators

The photographs show the installation of the first Jones Wet Magnetic Separator which was delivered to CVRD during 1970.

This machine, one of twelve which were ordered in 1969, has been in operation for a number of months treating a feed equivalent to 110 tons per hour.

The excellent performance of this separator resulted in CVRD taking down its options to purchase a further three machines to add to the twelve already delivered for the first plant and another thirteen for inclusion in the construction of a second plant.

When all these separators have been installed, the two plants will treat in excess of 28,000,000 tons of ore per year.

This installation has created considerable interest throughout the world and numerous visits have been made to the pilot plant by representatives of major mining companies. As a result testwork on samples submitted to our subsidiary Ferro-Magnetics Ltd. has more than tripled in volume during the past few months.

Further interest has been created by a study which was recently carried out by a world-renowned engineering company. This study compared the economics of High Intensity Wet Magnetic Separation with the use of Spirals in the concentration of iron ore. For many years Spirals have been generally accepted as the lowest cost process in this field. However the opinion formed as a result of this study is that High Intensity Wet Magnetic Separation has the following advantages:

- (1) Lower Capital Cost
- (2) Lower Operating Cost
- (3) Superior Metallurgy

Mr. W.J.D. Stone, Executive Vice-President of the company presented a paper "Commercial Application of High Intensity Wet Magnetic Separation for Iron Ore" to the 1971 A.I.M.E. meeting in New York City, in which he stressed the economics of High Intensity Wet Magnetic Separation over other methods. This paper received an enthusiastic reception and created further interest in the company's product.

*Photo at right shows the first Jones Wet Magnetic Separator installed at the Itabira mine.*

Sales development of new types of equipment tends to be slow. However now that the first machine of a major installation is on stream showing proof of the economics and metallurgical efficiency of the Jones Wet Magnetic Separator the company is confident of major growth in this area.

## Klöckner-Humboldt-Deutz AG

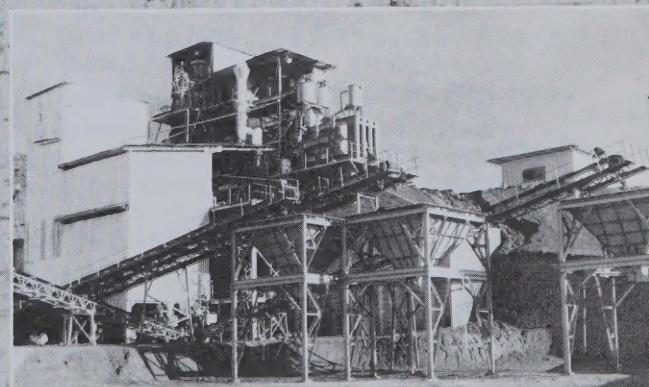
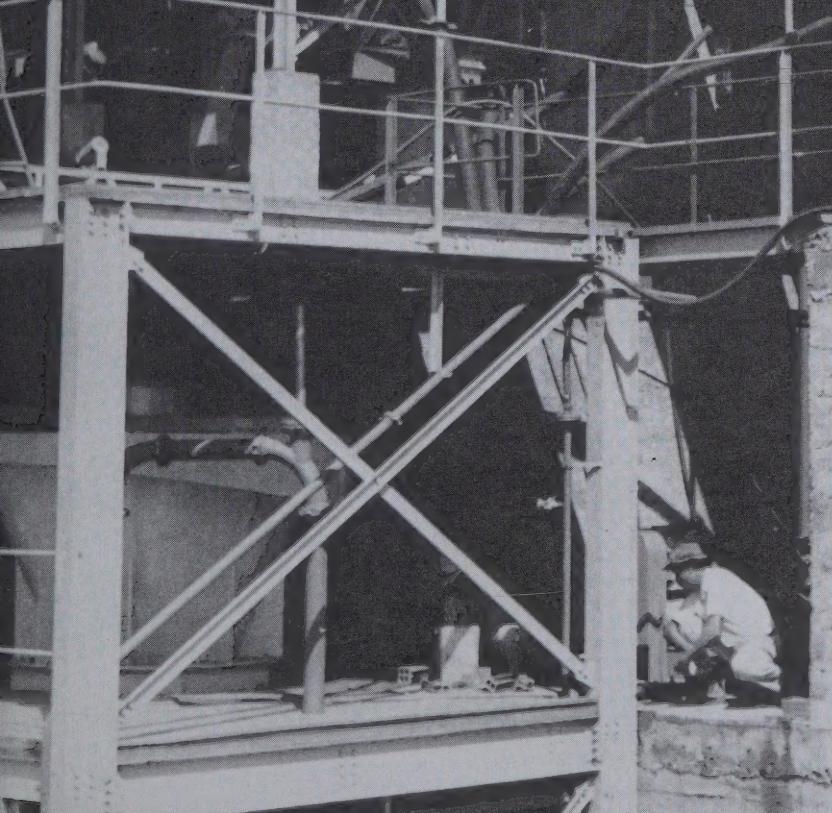
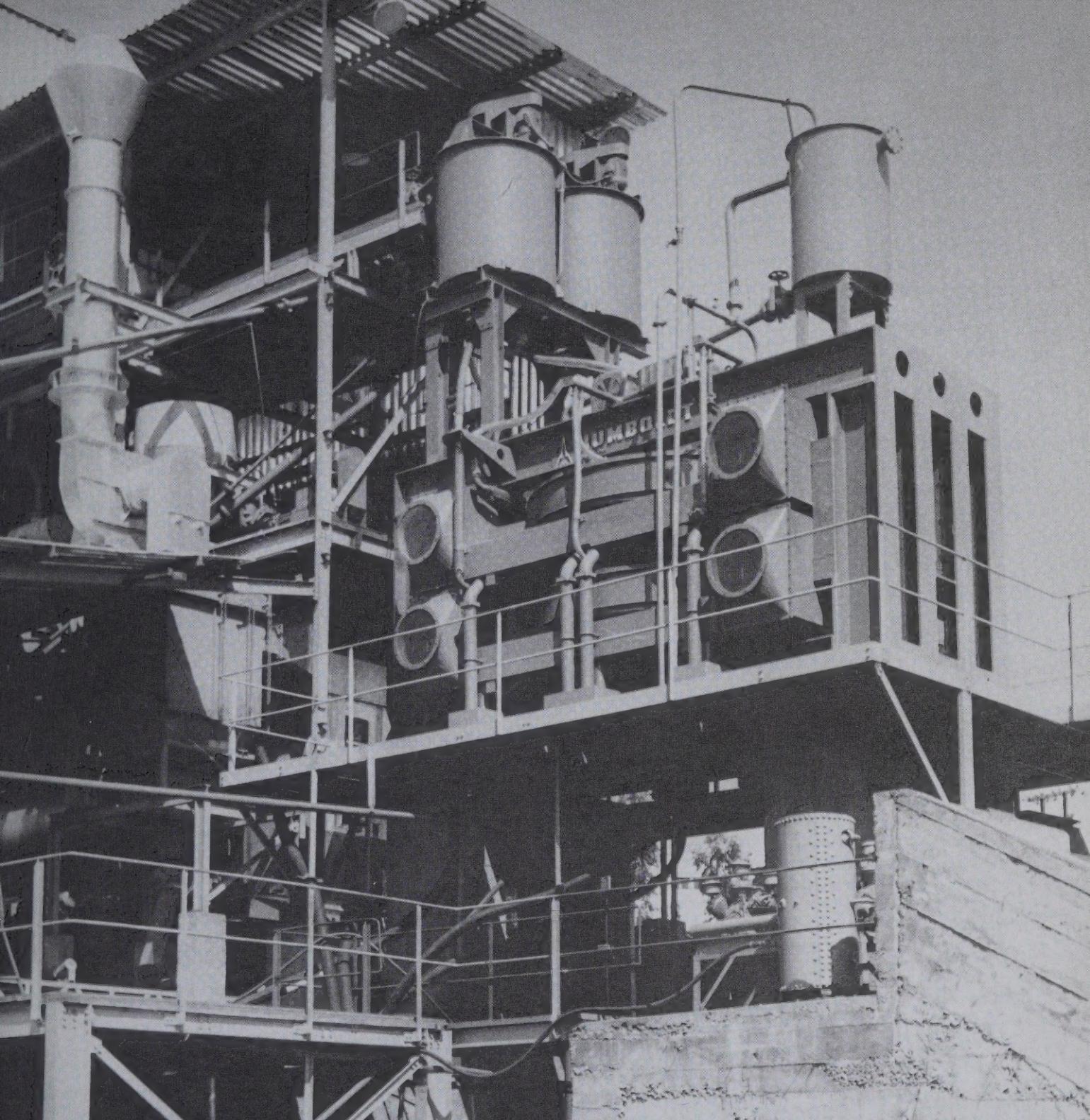
Klöckner-Humboldt-Deutz AG, is a large West German company with assets of 545 million dollars and annual sales of 630 million dollars. It employs 30,000 people around the world in the construction of power units, agricultural machinery, construction equipment, motor vehicles, fire fighting equipment and construction of plants.

Note: Figures approximate, based on 1968/69 Annual Report.

## The Jones Process

Many minerals are magnetic to some degree. The Jones Wet Magnetic Separator through adjusting a number of variables is able to separate minerals of both high and low magnetic susceptibility.

Feed for the machine is in slurry form, with a maximum size acceptable of 10 mesh. Briefly this slurry is introduced into a closely controlled magnetic force field; the particles most receptive to magnetic force are retained, while those with less magnetic characteristics are washed away. The machines are built with layers of separator plates which move through the force field. This makes the process continuous as a steady flow of slurry enters the machine while waste and concentrate leave in like fashion. As the plates move out of the magnetic force field, the receptive particles are washed off.





## Con Quest Exploration Ltd. (N.P.L.)

### Tin processing plants

Two tin mines currently operate in Cornwall, England. This is a small number compared with the hundreds of mines which sprang up in the 19th century and which are now evidenced by decaying engine houses and water filled shafts. Nevertheless there are large quantities of tin remaining in Cornwall. This tin can be found in the tailings dumped from the old processing plants and which still contain a considerable quantity of the metal owing to the crude separation methods used in the old days. There are a number of plants in the area profitably processing these tailings.

Brea Tin Limited and Tolgarrick Tin Limited are two plants which were constructed to process tin tailings. These companies have under long term lease a number of tin bearing properties with reserves of approximately 1,250,000 long tons containing an average of 5-7 lbs. of tin per ton. At current prices the tin content of these reserves would have a gross value of approximately \$10,000,000.

Before Con Quest purchased these companies in December, 1970 they had not been run profitably due to faulty design in the process. The plants have now been revamped and good management has been provided.

Radical changes have been made to the Brea plant flow sheet in order to improve mechanical and metallurgical efficiency. Major items of additional equipment, including a Jones Wet Magnetic Separator, Mozley concentrators and ball mills have been procured and installed.

Plant start up is scheduled for late April which is little more than four months after the purchase of the company. This is a considerable achievement since difficulties were encountered in obtaining items of equipment which led to delay.

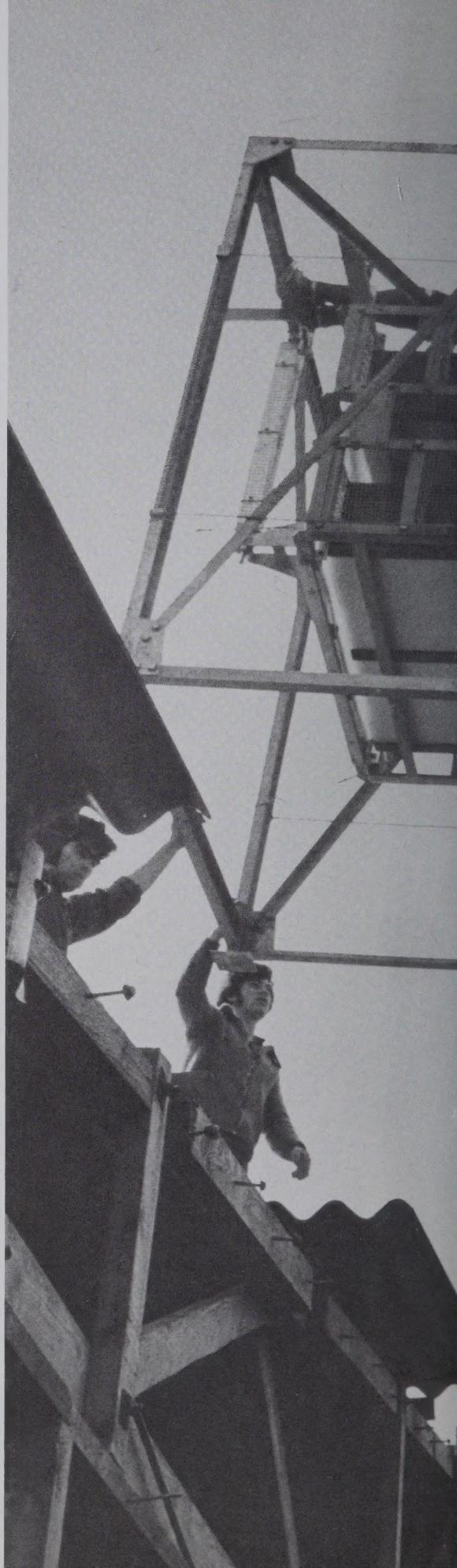
After minor modification Tolgarrick was put back into operation. It is anticipated that a saleable product will result without further capital investment.

The successful operation of these plants will be an example of the company's utilizing its mineral processing expertise which it has developed over the years.

### Mining and Exploration

The majority of the mining claims held by Con Quest Exploration Ltd. were maintained in good standing during 1970 but no development work was done.

## Operations (cont'd)



*Photo at right shows the installation of Mozley Concentrators at the Brea plant.*



## Ferrites

### Development

Emphasis for the further development of existing products was placed on Permacal C and D, which are used in the high volume applications of motor arcs, loudspeakers and latching devices.

Considerable improvements were achieved in the magnetic properties and consistency of these materials.

Customers for the embedding powder, Permacal R, have insisted on complete interchangeability with material from other suppliers. This has led to further development work in this area and indications are that it will lead to a successful conclusion in the near future.

New products developed in 1970 include:

- 1) A derivative of iron oxide for use as a catalyst in the chemical industry.
- 2) A product for use in the thermite process for making ferro alloys.
- 3) A powder which gives the high magnetic properties required for automotive DC motors of the future.

The research group is currently working on an agglomeration process which may allow the use of magnetic materials in the growing field of pollution control.

### Costs

Cost reductions were made by use of carefully controlled operating budgets, greater emphasis on reducing scrap, and planned programs to increase output from existing equipment.

Continued effort will be placed on controlling and reducing costs. However, major profit improvement will result primarily from increased sales through intensive marketing and the development of new products.

### Sales

Sales more than doubled in 1970, with a 37% increase in the number of customers serviced. This is far in excess of the growth rate for this expanding industry. The increase in sales was due to improvement of existing products, better customer service with related technical assistance and consistent quality.

Experience shows that it takes as much as one year from initial contact to achieve major sales to new customers. It also shows that new products may require one to two years before they make significant contributions to sales. These trends would indicate that the sales and research efforts of 1970 and the growth of the market for ferrite magnets will result in positive sales increases in 1971 and future years.



# Magnetics International Ltd.

(Incorporated under the Quebec Companies Act)  
and subsidiary companies (Note 1)

## Consolidated balance sheet

December 31, 1970

### Assets

	1970	1969
<b>Current Assets:</b>		
Cash and deposit receipts .....	\$ 115,866	\$ 223,983
Accounts receivable .....	319,940	358,591
Notes receivable .....	—	164,395
Inventories of raw materials and finished goods at cost or net realizable value whichever is the lower .....	538,342	306,543
	<u>974,148</u>	<u>1,053,512</u>
<b>Investments in shares of listed mining companies, at cost (quoted market value — \$22,795) .....</b>	<b>33,174</b>	<b>3,174</b>
<b>Holdback on sales contract .....</b>	<b>42,218</b>	<b>—</b>
<b>Investment in and advances to subsidiary company, at cost (Note 2) .....</b>	<b>185,418</b>	<b>128,757</b>
<b>Mortgage receivable, less instalments due within one year</b>	<b>19,663</b>	<b>20,252</b>
<b>Fixed assets, at cost:</b>		
Land and buildings .....	227,793	225,555
Machinery and equipment .....	683,671	667,573
Furniture and fixtures .....	11,293	19,395
	<u>922,757</u>	<u>912,523</u>
Less: Received by grant on machinery and equipment .....	150,379	150,379
	<u>772,378</u>	<u>762,144</u>
Less: Accumulated depreciation .....	323,454	281,972
	<u>448,924</u>	<u>480,172</u>
<b>Patent rights, at cost .....</b>	<b>312,950</b>	<b>312,950</b>
Less: Amortization .....	49,216	24,698
	<u>263,734</u>	<u>288,252</u>
	<u><u>\$1,967,279</u></u>	<u><u>\$1,974,119</u></u>

Signed on behalf of the Board:

R. P. Mills, Director  
Peter N. Carter, Director



## Liabilities

### Current Liabilities:

	1970	1969
Bank indebtedness .....	\$ 73,454	\$ 64,344
Accounts payable and accrued liabilities .....	344,581	347,954
Long-term debt due within one year .....	77,223	21,362
	<hr/> <b>495,258</b>	<hr/> 433,660
<b>Long-term debt (Note 3) .....</b>	<hr/> <b>1,090,195</b>	<hr/> 1,167,418

### Minority shareholders' interest in subsidiary companies (Note 5) .....

### Shareholders' Equity (Note 6):

#### Capital stock —

##### Authorized —

4,000,000 shares without par value

##### Issued and fully paid —

2,495,955 shares .....

373,041

3,872,400

##### Retained earnings (deficit) .....

8,785

(3,499,359)

---

**381,826**

---

373,041

---

**\$1,967,279**

---

\$1,974,119

## Auditors' report

### To the Shareholders of Magnetics International Ltd.:

We have examined the consolidated balance sheet of Magnetics International Ltd. and its subsidiary companies as at December 31, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1970 and of the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 15, 1971  
Montreal, Quebec

Price Waterhouse & Co.  
Chartered Accountants.



**Magnetics International Ltd.**  
(Incorporated under the Quebec Companies Act)  
**and subsidiary companies**

**Consolidated statement of income  
and retained earnings**

for the year ended December 31, 1970

	<b>1970</b>	1969
<b>Sales</b> .....	<b>\$ 1,537,288</b>	\$ 600,593
Other income .....	20,933	41,430
	<b>1,558,221</b>	<b>642,023</b>
Cost of sales .....	789,899	477,574
Royalties .....	94,602	—
Research, development and engineering .....	90,198	245,496
Depreciation .....	58,221	49,488
Amortization of patent rights .....	24,518	24,698
Selling expenses .....	84,166	18,340
Administrative expenses (Note 7) .....	342,864	322,534
Interest on long-term debt .....	56,360	29,571
	<b>1,540,828</b>	<b>1,167,701</b>
Income (loss) from current operations .....	17,393	(525,678)
Write-off of deferred pre-production expenditures and organization expenses .....	—	(530,265)
<b>Income (loss) before extraordinary items</b> .....	<b>17,393</b>	<b>(1,055,943)</b>
Extraordinary items—		
Loss on sale of investment in Fina Metal Ltd. ....	—	(557,880)
Exchange loss arising from unpegging of Canadian dollar ....	(8,608)	—
	<b>(8,608)</b>	<b>(557,880)</b>
Income (loss) before minority interests .....	8,785	(1,613,823)
Minority interests .....	—	25,450
<b>Net income (loss) for the year (Note 8)</b> .....	<b>8,785</b>	<b>(1,588,373)</b>
Deficit, beginning of the year .....	(3,499,359)	(1,910,986)
Credit arising from reorganization of capital structure (Note 6) .....	3,499,359	—
	<b>—</b>	<b>(1,910,986)</b>
<b>Retained earnings (deficit), end of the year</b> .....	<b>\$ 8,785</b>	<b>\$(3,499,359)</b>
Per share:		
Net income (loss) before extraordinary items .....	\$0.007	\$(0.42)
Net income (loss) for the year .....	\$0.004	\$(0.64)



**Magnetics International Ltd.**  
 (Incorporated under the Quebec Companies Act)  
**and subsidiary companies**

**Consolidated statement of source  
 and application of funds**

for the year ended December 31, 1970

	1970	1969
<b>Source of funds:</b>		
Income (loss) before minority interest .....	\$ 8,785	\$(1,613,823)
Charges to income not affecting working capital —		
Depreciation .....	58,221	49,488
Amortization of patent rights .....	24,518	24,698
Write-off of deferred pre-production expenditures and organization expenses .....	—	530,265
Loss on sale of investment in Fina Metal Ltd. ....	—	557,880
Working capital generated from operations .....	91,524	(451,492)
Net increase in long-term debt .....	—	1,110,043
Other .....	589	36,728
	<b>92,113</b>	<b>695,279</b>
<b>Application of funds:</b>		
Investment in shares of listed mining companies .....	30,000	—
Holdback on sales contract .....	42,218	—
Investment in and advances to subsidiary company .....	56,661	6,375
Investment in fixed assets .....	26,973	358,317
Decrease in long-term debt .....	77,223	—
Purchase of patent rights .....	—	300,000
Net increase (decrease) in working capital .....	233,075	664,692
Working capital, beginning of the year .....	(140,962)	30,587
Working capital, end of the year .....	619,852	589,265
	<b>\$ 478,890</b>	<b>\$ 619,852</b>

**Notes to consolidated financial statements**

December 31, 1970

**Note 1 — Principles of consolidation:**

The consolidated financial statements include the accounts of the following subsidiary companies:  
 Ferrox Iron Ltd. (No Personal Liability)  
 Ferro-Magnetics Ltd. (No Personal Liability)  
 Ferrox Iron (New York) Ltd.  
 Magsep Ltd.

The latter two companies are non-Canadian and their accounts have been translated into Canadian dollars at applicable rates of exchange.

The accounts of the subsidiary company Con Quest Exploration Ltd. (No Personal Liability) have not been consolidated since its activities were solely those of a mining exploration company throughout most of the year and were therefore different from the industrial operations of Magnetics International and its other subsidiary companies.

**Note 2 — Investment in and advances to subsidiary company:**

The investment in and advances to Con Quest Exploration Ltd. (No Personal Liability) comprise:

	1970	1969
Capital stock — 850,000 shares (1969 — 750,000) .....	\$143,860	\$ 82,616
Advances .....	41,558	46,141
	<b>\$185,418</b>	<b>\$128,757</b>

Losses of Con Quest since its acquisition amounted to \$36,208 as at December 31, 1970, of which \$7,628 were incurred during the year.

In December 1970, Con Quest issued 600,000 shares to the public and, as at December 31, 1970, the underwriters had options (expiring in 1971) on an additional 200,000 shares which, if exercised, would reduce Magnetics International's interest to 51.5%.

On December 9, 1970 Con Quest acquired two tin dressing plants in Cornwall, England which are presently being modified and are scheduled to be operational in 1971.

**Note 3 — Long-term debt:**

Magnetics International Ltd. —

7% Convertible redeemable debentures, due September 1, 1975 and

secured by way of a floating charge on the company's assets (Note 4)

Owing to Director on purchase of patents, repayable over

a nineteen year period in annual installments of \$15,000 .....

**1970****1969**

\$ 375,000

\$ 375,000

Ferrox Iron Ltd. (N.P.L.) —

7% Mortgage .....

6% Mortgage .....

Ferrox Iron (New York) Ltd. —

9% Ogdensburg Trust Company Loan secured by a first mortgage  
on machinery and equipment, payable over a ten year period from  
January 19, 1971:

Authorized loan ..... U.S. \$162,168

Received (U.S. \$100,000) .....

108,000

108,000

4 $\frac{5}{8}$ % Economic Development Administration loan secured by a second  
mortgage on machinery and equipment and a \$45,547 first mortgage  
and a \$4,555 third mortgage on land and buildings, payable over  
a ten year period from January 18, 1971 or at a rate of 50% of net  
earnings (as defined in the loan agreements) whichever is greater:

Authorized loan ..... U.S. \$365,382

Received (U.S. \$184,220) .....

198,957

198,957

7 $\frac{1}{2}$ % New York Job Development Authority loan secured by a second  
mortgage on land and buildings, payable over a twenty year period  
in monthly installments of U.S. \$220 each from

January 18, 1970 (U.S. \$27,328) .....

28,852

29,514

3% Ogdensburg Area Industrial Development Corporation  
loan secured by a third mortgage on machinery and equipment  
and a fourth mortgage on land and buildings, payable over

a ten year period from January 18, 1971 (U.S. \$45,097) .....

48,705

48,705

7% Convertible redeemable debentures, due September 1, 1980 (Note 4):

Authorized ..... U.S. \$250,000

Issued (U.S. \$108,000) .....

116,640

116,640

Less: Due within one year .....

1,167,418

1,188,780

77,223 .....

21,362

\$1,090,195

\$1,167,418

**Note 4 — Features of debentures:**

Magnetics International Ltd. —

According to the terms of the 7% convertible redeemable debenture issue, the debentures  
may be redeemed at the option of the company.The debentures may be converted into common shares at the option of the holder on the  
following basis.Prior to September 1, 1971 ..... 26 $\frac{2}{3}$  shares per \$100 principal

From September 1, 1971 to maturity ..... 20 shares per \$100 principal

Ferox Iron (New York) Ltd. —

According to the terms of the 7% convertible redeemable debenture issue, the debentures may  
be redeemed at the option of the company, subject to the payment of a premium ranging  
from 20% to 5% of the principal sum due.The debentures may be converted into common shares at the option of the holder on the  
following basis:

Prior to September 1, 1971 ..... 100 shares per \$100 principal

From September 1, 1971 to August 31, 1974 ..... 66 $\frac{2}{3}$  shares per \$100 principal

From September 1, 1974 to August 31, 1977 ..... 50 shares per \$100 principal

From September 1, 1977 to maturity ..... 40 shares per \$100 principal

**Note 5 — Minority shareholders' interest in subsidiary companies:**

Ferrox Iron Ltd. (N.P.L.) ..... Number of shares

Number of shares

**1970****1969**

Magsep Ltd. ..... 25,000 \$12,500 \$12,500

25,000

\$12,500

\$12,500

Deduct: Capital deficiency applicable to these holdings .....

100,000

12,950

12,950

25,450

25,450

25,450

25,450

25,450

25,450

\$ —

\$ —

**Note 6 — Capital stock:**During the year the company obtained supplementary letters patent which converted the 3,000,000  
authorized common shares of \$5.00 par value (of which 2,495,955 had been issued) into a like number  
of shares without par value. The paid up capital was reduced by an amount of \$3,499,359 which was  
applied against the accumulated deficit. The authorized capital was increased from 3,000,000 shares  
without par value to 4,000,000 shares without par value.48,000 shares have been set aside to cover options granted to certain officers and senior personnel;  
23,000 exercisable up to December 31, 1971 at \$1 per share and 25,000 exercisable up to September 15,  
1974 at \$2 per share. In addition thereto, 100,000 shares are subject to issuance under the conversion  
privileges of the 7% convertible redeemable debentures.**Note 7 — Remuneration of directors:**Total remuneration received by directors amounted to \$83,721 (\$60,897 in 1969) including salaries  
totalling \$78,921 (\$42,266 in 1969) received by officers who are also directors.**Note 8 — Income taxes:**No provision has been made for income taxes because of the application of prior years' losses  
against taxable income for the year. At December 31, 1970 the company and its consolidated  
subsidiary companies had losses carried forward for tax purposes of approximately \$785,000 (\$19,000  
of which will expire on December 31, 1971) and, in addition, depreciation booked but not claimed for  
tax purposes amounted to approximately \$300,000. These amounts aggregating approximately  
\$1,085,000 are available to reduce taxable income in future years.**Note 9 — Contingent liability:**The company has guaranteed repayment of an \$82,995 loan to Baker Talc Ltd. (No Personal Liability)  
which is only repayable by Baker Talc if the project or process resulting from the specific development  
project covered by the loan is sold or put into commercial use.



## Directors and Officers

R.P. Mills, *Chairman, Treasurer and Director*  
P.N. Carter, *President, Chief Executive Officer and Director*  
W.J.D. Stone, P. Eng., *Executive Vice-President and Director*  
J.O. Sabourin, F.C.I.S., *Secretary*  
N.R. Burridge, A.C.A., *Assistant Secretary, Assistant Treasurer and Controller*  
H.J. Davidson, *Director*  
N.E. Goodman, *Director*  
H.J. Mockler, *Director*  
J.H. Morgan, Ph.D., *Director*  
J.D. Streit, *Director*

## Directors of Subsidiaries (*who are not directors of Magnetics International Ltd.*)

P. Simpson, *Director, Magsep Ltd., Brea Tin Limited and Tolgarrick Tin Limited*  
J.W. Winthrop, *Director, Ferrox Iron (New York) Ltd.*  
N.R. Burridge, *Director, Ferrox Iron (New York) Ltd.*  
J. McG. Home, *Director, Ferrox Iron Ltd. (N.P.L.),*  
*Ferro-Magnetics Ltd. (N.P.L.) and*  
*Con Quest Exploration Ltd. (N.P.L.)*

## Subsidiaries

Ferrox Iron Ltd. (N.P.L.)  
Ferrox Iron (New York) Ltd.  
Ferro-Magnetics Ltd. (N.P.L.)  
Magsep Ltd.  
Con Quest Exploration Ltd. (N.P.L.)

## Wholly owned subsidiaries of Con Quest

Brea Tin Limited  
Tolgarrick Tin Limited

## Head Office

Suite 401,  
621 Craig St. West,  
Montreal 101, Quebec  
Telex 01-25686  
Telephone (514) 878-3978

## United Kingdom address

30 Church Street,  
Camborne, Cornwall,  
England  
Telex 09-45322  
Telephone Camborne 2018

## Bankers

Canadian Imperial  
Bank of Commerce

## Transfer Agents

The Canada Permanent  
Trust Company  
Montreal and Toronto

## Auditors

Price Waterhouse & Co.

## Shares Listed

Canadian Stock Exchange  
Toronto Stock Exchange

